



WEINLANDER FITZHUGH

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CHARTER TOWNSHIP OF BANGOR
BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2004

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RSM McGladrey Network

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Bangor	County Bay
Audit Date 12/31/04	Opinion Date 3/18/05	Date Accountant Report Submitted to State: 6/10/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

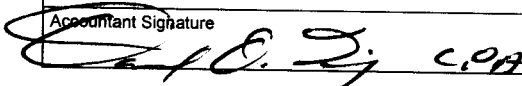
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Weinlander Fitzhugh			
Street Address 1600 Center Avenue	City Bay City	State MI	ZIP 48708
Accountant Signature 		Date 6/10/05	

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INDEPENDENT AUDITORS' REPORT

March 18, 2005

Township Board
Charter Township of Bangor
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Bangor, Bay County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Charter Township of Bangor as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

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WEINLANDER FITZHUGH

Township Board
Charter Township of Bangor
March 18, 2005
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bangor Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Our discussion and analysis of the Charter Township of Bangor's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2004.

Financial Highlights

State shared revenues accounted for \$1,192,263 or 51% of the Township's total revenues. The General Fund reported an increase in fund balance of \$9,140.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Charter Township of Bangor financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund, Sanitary Sewer Fund, and the Trash Collection Fund (Required Supplemental Information)

Other Supplemental Information

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the fire, trash, inspection, drains and general administration. Sales taxes (stated shared revenues), property taxes and franchise fees finance most of these activities.
- Business Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- Component Units – The Township includes two separate legal entities in its report - Downtown Development Authority and Economic Development Corporation. Although legally separate, these component units are important because the Township is financially accountable for them.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, Governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

This fund presents the Township's water and sewer operations that are managed by the Bay County Department of Water and Sewer. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2004.

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of December 31, 2004.

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

<u>Exhibit A</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current and other assets	\$ 4,737,709	\$ 2,816,130	\$ 7,553,839
Capital assets - net of accumulated depreciation	<u>1,544,501</u>	<u>13,268,347</u>	<u>14,812,848</u>
Total assets	<u>6,282,210</u>	<u>16,084,477</u>	<u>22,366,687</u>
Liabilities			
Current liabilities	1,768,197	765,921	2,534,118
Long-term liabilities	<u>0</u>	<u>2,155,022</u>	<u>2,155,022</u>
Total liabilities	<u>1,768,197</u>	<u>2,920,943</u>	<u>4,689,140</u>
Net Assets			
Invested in property and equipment - net of related debt	1,544,501	10,422,146	11,966,647
Restricted	1,440,135	0	1,440,135
Unrestricted	<u>1,529,377</u>	<u>2,741,388</u>	<u>4,270,765</u>
Total net assets	<u>\$ 4,514,013</u>	<u>\$ 13,163,534</u>	<u>\$ 17,677,547</u>

Exhibit A focuses on net assets. The Township's total net assets were \$17,677,547 at December 31, 2004. Capital assets net of related debt, totaling \$11,966,647 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$1,440,135 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$4,270,765 of unrestricted net assets of Governmental and Business-Type Activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended December 31, 2004. Exhibit B provides a summary of the Township's operations for the year. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Exhibit B</u>			
Revenue			
Program revenue:			
Charges for services	\$ 766,867	\$ 3,178,001	\$ 3,944,868
Grants and contributions	30,000	301,902	331,902
General revenue:			
Taxes	1,608,040	0	1,608,040
State shared revenue	1,192,263	0	1,192,263
Interest and investment earnings	68,999	31,695	100,694
Other	228,655	0	228,655
Total revenue	<u>3,894,824</u>	<u>3,511,598</u>	<u>7,406,422</u>
Function/Program Expenses			
Legislative	34,964	0	34,964
General government	890,101	0	890,101
Public safety	1,359,081	0	1,359,081
Public works	96,988	0	96,988
Recreation activities	62,213	0	62,213
Protective inspections	158,851	0	158,851
Sanitation	668,388	0	668,388
Other	216,828	0	216,828
Payment to Enterprise Fund	301,902	0	301,902
Water and sewer	0	2,920,920	2,920,920
Total expenses	<u>3,789,316</u>	<u>2,920,920</u>	<u>6,710,236</u>
Increase in Net Assets	<u><u>\$ 105,508</u></u>	<u><u>\$ 590,678</u></u>	<u><u>\$ 696,186</u></u>

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type* Activities this year was \$6,710,236. Certain activities were partially funded by \$3,944,868 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$331,902. We paid for the remaining "public benefit" portion of our Governmental and Business-Type Activities with \$1,608,040 in taxes, \$1,192,263 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$696,186, mainly due to actual expenditures being less than anticipated. There were no significant revenue increases this year. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The governmental activities net assets experienced an increase of \$105,508 resulting from actual expenses incurred being below expected levels.

The water and sewer funds experienced an increase of \$590,678 resulting from an excess of customer charges over expenditures for the year.

The Township's Funds

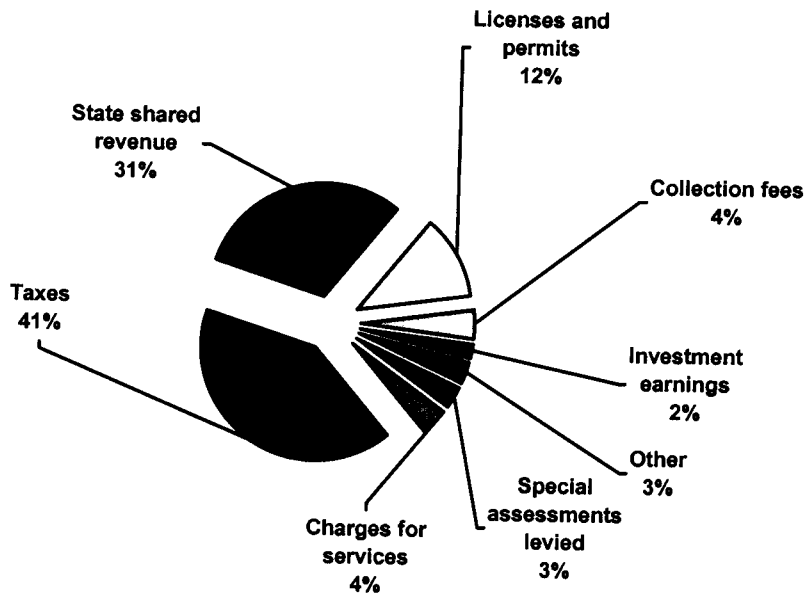
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$2,969,512, which is below last year's total of \$3,133,016. The schedule below details the fund balance and the total change in fund balances as of December 31, 2004.

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 1,529,924	\$ 1,520,784	\$ 9,140
Special Revenue funds	1,439,588	1,612,232	(172,644)
Total	<u>\$ 2,969,512</u>	<u>\$ 3,133,016</u>	<u>\$ (163,504)</u>

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

The graph below details the major sources of the Township's governmental revenues.



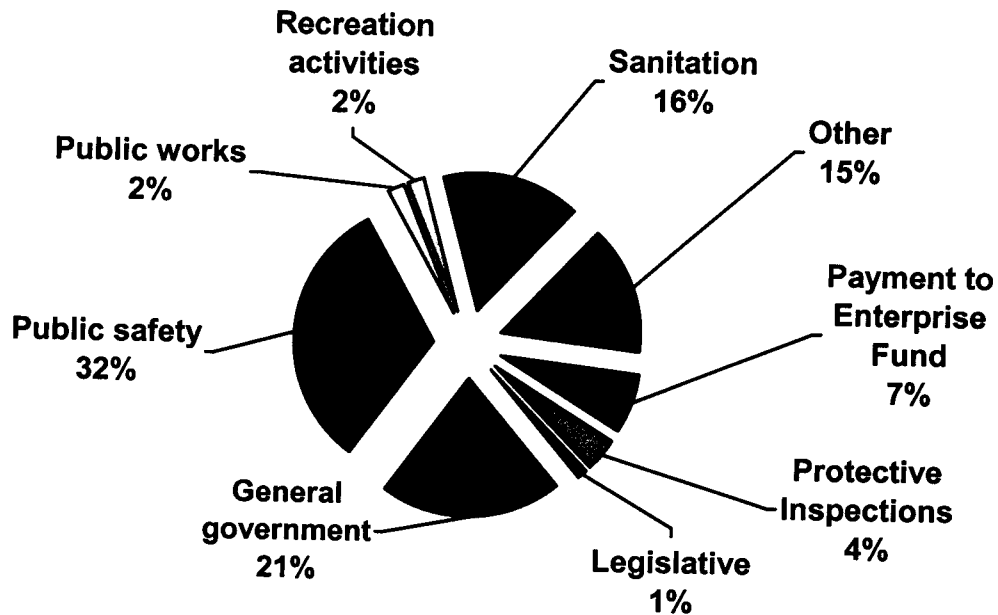
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	2004	2003	Percentage Change
Taxes	\$ 1,608,000	\$ 1,606,000	0%
Collection fees	173,000	164,000	5%
State shared revenue	1,192,000	1,288,000	-7%
Special assessments levied	103,000	104,000	-1%
Charges for services	137,000	106,000	29%
Investment earnings	69,000	81,000	-15%
Licenses and permits	465,000	401,000	16%
Other	148,000	124,000	19%
Total	<u>\$ 3,895,000</u>	<u>\$ 3,874,000</u>	<u>1%</u>

Overall, 2004 revenues are up \$21,000 or 1% mainly due to the receipts of sewer permits for new construction projects throughout the Township. The General Fund experienced a decrease in state shared revenue of approximately \$96,000 from the prior year.

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

The graph below details the governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

<i>Expenditures by Function</i>	2004	2003	Percentage Change
Legislative	\$ 35,000	\$ 34,000	3%
General government	833,000	750,000	11%
Public safety	1,300,000	1,292,000	1%
Public works	97,000	339,000	-71%
Recreation activities	62,000	94,000	-34%
Protective inspections	159,000	148,000	7%
Sanitation	664,000	640,000	4%
Other	606,000	663,000	-9%
Payment to Enterprise Fund	302,000	342,000	-12%
Total	\$ 4,058,000	\$ 4,302,000	-6%

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Expenditures are down \$244,000 from the prior year mostly due to no major road reconstruction in the Township. The Highland Drive project was completed in 2003.

During the 2004 fiscal year, the final payment for the Bangor Township portion of the 30 year drain bond was made to the Bay County Drain Commission.

Water and Sewer System Funds -The Township's Proprietary funds (the Bay County DWS Bangor Water and Sewer Enterprise Funds) reported net assets of \$13,163,534, which is an increase of \$590,678 over last year's net assets of \$12,572,856. Operating revenues exceeded operating expenses for the year.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues decreased by about \$395,000 and budgeted expenditures decreased by about \$639,000 during the fiscal year. This is mainly due to grant projects such as the Saginaw Bay Trailways Phase I and Euclid Ave., Wilder Road and State Street Sidewalk being administrated by the Bay County Road Commission.
- Actual revenues for the year were \$50,693 more than anticipated during the fiscal year. The overall change was not significant.
- Actual expenditures for the year were \$218,000 less than anticipated, mainly in the public safety and public works areas. The public safety decrease was due to anticipated expenditures in the fire department that were not required and donation funds that were not fully expended. Also, a contract review for law enforcement resulted in significant savings. The decrease of expenditures in the public works area is due to no major road reconstruction being done in 2004.

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Capital Assets

At December 31, 2004, the Township had \$26.7 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net increase (including additions and disposals) of approximately \$177,000, or 1%, from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 286,164	\$ 286,164	\$ 0	\$ 0	\$ 286,164	\$ 286,164
Buildings and improvements	1,441,531	1,441,531	0	0	1,441,531	1,441,531
Equipment	449,269	441,060	0	0	449,269	441,060
Transportation equipment	1,081,905	1,081,905	0	0	1,081,905	1,081,905
Water system	0	0	5,648,866	5,634,540	5,648,866	5,634,540
Sewer System	0	0	17,768,745	17,614,598	17,768,745	17,614,598
 Total capital assets	 3,258,869	 3,250,660	 23,417,611	 23,249,138	 26,676,480	 26,499,798
 Less accumulated depreciation	 1,714,368	 1,370,444	 10,149,264	 9,665,193	 11,863,632	 11,035,637
 Net capital assets	 <u>\$ 1,544,501</u>	 <u>\$ 1,880,216</u>	 <u>\$ 13,268,347</u>	 <u>\$ 13,583,945</u>	 <u>\$ 14,812,848</u>	 <u>\$ 15,464,161</u>

This year's additions for Governmental Activities of \$8,209 included equipment. No debt was issued for this equipment.

This year's additions for Business-Type Activities of \$168,473 included equipment and system improvements.

We present more detailed information about our Governmental Activities capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows:

M100 voting equipment (10)	\$ 53,208
Document imaging hardware	4,358
Document imaging software	5,398
Document scanner	3,245
Thermal imaging system	7,000
Security system	9,750

Capital additions to our Business-Type Activities for next year have not been determined.

Charter Township of Bangor
Management's Discussion & Analysis
For the Year Ended December 31, 2004

Debt

At the end of this year, the Township had \$2.8 million in long-term debt outstanding versus \$3.9 million in the previous year. All of the Township's debt is related to water system improvements and is reported in the proprietary fund as the Bay County Department of Water and Sewer Bangor Enterprise Fund. This debt is summarized as follows:

	<u>2004</u>	<u>2003</u>
Revenue Bonds	\$ 295,591	\$ 405,477
Special Assessment Bonds	2,522,331	3,498,371
	<u>\$ 2,817,922</u>	<u>\$ 3,903,848</u>

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in the costs for health care benefits and property insurance premiums.

The Township will need to seek an increase in revenue and continue to adjust its expenditures.

The Township residents may be asked to support an operational millage to balance the revenue shortfalls.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 180 State Park Drive, Bay City, MI 48706-1763.

Charter Township of Bangor
Statement of Net Assets
December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 2,979,131	\$ 2,677,303	\$ 5,656,434	\$ 410,670
Receivables:				
Accounts receivable	0	130,549	130,549	0
Accrued interest receivable	0	5,287	5,287	0
Prepaid expenses	9,788	2,991	12,779	0
Taxes receivable	1,097,844	0	1,097,844	327,753
Due from Component Units	34	0	34	0
Due from Fiduciary Funds	650,912	0	650,912	39,886
Capital assets less accumulated depreciation	1,544,501	13,268,347	14,812,848	23,333
Total assets	6,282,210	16,084,477	22,366,687	801,642
<u>Current Liabilities</u>				
Accounts payable	119,976	10,701	130,677	1,462
Accrued payroll	0	1,728	1,728	0
Accrued interest payable	0	28,279	28,279	5,288
Deferred revenue	1,647,371	0	1,647,371	367,639
Due to Governmental Funds	0	0	0	34
Hall security deposit	850	0	850	0
Compensated absences	0	9,347	9,347	0
Bonds payable	0	715,866	715,866	32,500
Total current liabilities	1,768,197	765,921	2,534,118	406,923
<u>Long-term liabilities</u>				
Compensated absences	0	52,966	52,966	0
Bonds payable	0	2,102,056	2,102,056	538,125
Total long-term liabilities	0	2,155,022	2,155,022	538,125
Total liabilities	1,768,197	2,920,943	4,689,140	945,048
<u>Net Assets</u>				
Investment in capital assets - net of related debt	1,544,501	10,422,146	11,966,647	23,333
Restricted	1,440,135	0	1,440,135	0
Unrestricted	1,529,377	2,741,388	4,270,765	(166,739)
Total net assets	\$ 4,514,013	\$ 13,163,534	\$ 17,677,547	\$ (143,406)

See accompanying notes to financial statements.

Charter Township of Bangor
Statement of Activities
For the Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:							
Legislative	\$ 34,964	\$ 0	\$ 0	\$ (34,964)	\$ 0	\$ (34,964)	\$ 0
General government	890,101	307,951	0	(582,150)	0	(582,150)	0
Public safety	1,359,081	9,856	0	(1,349,225)	0	(1,349,225)	0
Public works	96,988	0	0	(96,988)	0	(96,988)	0
Recreation activities	62,213	0	30,000	(32,213)	0	(32,213)	0
Protective inspections	158,851	312,354	0	153,503	0	153,503	0
Sanitation	668,388	1,156	0	(667,232)	0	(667,232)	0
Other	216,828	0	0	(216,828)	0	(216,828)	0
Payment to Enterprise Fund	301,902	135,550	0	(166,352)	0	(166,352)	0
Total governmental activities	3,789,316	766,867	30,000	(2,992,449)	0	(2,992,449)	0
Business-type activities:							
Water	1,379,957	1,641,121	0	0	261,164	261,164	0
Sewer	1,540,963	1,536,880	301,902	0	297,819	297,819	0
Total business-type activities	2,920,920	3,178,001	301,902	0	558,983	558,983	0
Total primary government	\$6,710,236	\$3,944,868	\$ 331,902	(2,992,449)	558,983	(2,433,466)	0
Component Units:							
Downtown Development Authority	136,233	0	0	0	0	0	(136,233)
Economic Development Corporation	0	0	0	0	0	0	0
Total component units	\$ 136,233	\$ 0	\$ 0	0	0	0	(136,233)
General Revenues:							
Taxes				1,608,040	0	1,608,040	410,077
State shared revenue				1,192,263	0	1,192,263	0
Interest and investment earnings				68,999	31,695	100,694	3,897
Other				228,655	0	228,655	0
Total general revenues				3,097,957	31,695	3,129,652	413,974
Change in net assets				105,508	590,678	696,186	277,741
Net assets - beginning of year				4,408,505	12,572,856	16,981,361	(421,147)
Net assets - end of year				\$ 4,514,013	\$13,163,534	\$17,677,547	\$(143,406)

See accompanying notes to financial statements.

Charter Township of Bangor
 Governmental Funds
 Balance Sheet
 December 31, 2004

	General	Sanitary Sewer	Trash Collection	Other Nonmajor Governmental Funds	Total
Cash and investments	\$ 1,483,099	\$ 1,000,884	\$ 130,271	\$ 364,877	\$ 2,979,131
Receivables:					
Taxes receivable	427,205	145,594	387,175	137,870	1,097,844
Due from Component Units	34	0	0	0	34
Due from Fiduciary Funds	230,972	61,524	292,351	66,065	650,912
Due from Governmental Funds	693	0	0	0	693
Prepaid expenses	9,770	0	0	18	9,788
Total assets	\$ 2,151,773	\$ 1,208,002	\$ 809,797	\$ 568,830	\$ 4,738,402

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Accounts payable	\$ 64,207	\$ 1,115	\$ 53,298	\$ 1,356	\$ 119,976
Due to Governmental Funds	0	36	85	572	693
Deferred revenue	556,792	207,118	679,526	203,935	1,647,371
Hall security deposits	850	0	0	0	850
Total liabilities	621,849	208,269	732,909	205,863	1,768,890
<u>Fund Balances</u>					
Reserved	0	999,733	76,888	362,967	1,439,588
Unreserved:					
Designated	386,820	0	0	0	386,820
Undesignated	1,143,104	0	0	0	1,143,104
Total fund balances	1,529,924	999,733	76,888	362,967	2,969,512
Total liabilities and fund balances	\$ 2,151,773	\$ 1,208,002	\$ 809,797	\$ 568,830	\$ 4,738,402

See accompanying notes to financial statements.

Charter Township of Bangor
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004

Total fund balances - governmental funds	\$ 2,969,512
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	3,258,869
Accumulated depreciation	<u>(1,714,368)</u>
Total net assets - governmental activities	<u>\$ 4,514,013</u>

See accompanying notes to financial statements.

Charter Township of Bangor
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended December 31, 2004

	General	Sanitary Sewer	Trash Collection	Other Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$ 534,364	\$ 222,799	\$ 661,300	\$ 189,577	\$ 1,608,040
Collection fees	172,557	0	0	0	172,557
State shared revenue	1,192,263	0	0	0	1,192,263
Special assessments levied	103,550	0	0	0	103,550
Charges for services	0	135,550	1,156	0	136,706
Interest	48,079	12,477	2,924	5,519	68,999
Licenses and permits	152,729	0	0	312,354	465,083
Other	146,316	0	750	560	147,626
Total revenues	2,349,858	370,826	666,130	508,010	3,894,824
Expenditures					
Legislative					
General government	34,964	0	0	0	34,964
Public safety	833,305	0	0	0	833,305
Public works	1,300,158	0	0	0	1,300,158
Recreation activities	96,988	0	0	0	96,988
Protective inspections	62,213	0	0	0	62,213
Sanitation	0	0	0	158,851	158,851
Other	5,314	0	658,477	0	663,791
Capital outlay	0	43,504	0	554,443	597,947
Payment to Enterprise Fund for debt service	7,776	0	0	433	8,209
Total expenditures	0	301,902	0	0	301,902
Excess of revenues over (under) expenditures	2,340,718	345,406	658,477	713,727	4,058,328
Net change in fund balance	9,140	25,420	7,653	(205,717)	(163,504)
Fund balance - beginning of year	9,140	25,420	7,653	(205,717)	(163,504)
Fund balance - end of year	1,520,784	974,313	69,235	568,684	3,133,016
	\$ 1,529,924	\$ 999,733	\$ 76,888	\$ 362,967	\$ 2,969,512

See accompanying notes to financial statements.

Charter Township of Bangor
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Net change in fund balance - total governmental funds \$ (163,504)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation:

Depreciation expense	(120,316)	
Capital outlay	<u>8,209</u>	(112,107)

Long-term liabilities are not due and payable in the current
period and are not reported in the funds:

Bonds payable	375,485	
Accrued interest payable is not included as a liability in governmental activities	<u>5,634</u>	<u>381,119</u>

Change in net assets of governmental activities		<u><u>\$ 105,508</u></u>
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See accompanying notes to financial statements.

Charter Township of Bangor
Proprietary Funds
Statement of Net Assets
December 31, 2004

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets			
Cash and investments	\$ 1,483,462	\$ 1,193,841	\$ 2,677,303
Accounts receivables - net	23,166	107,383	130,549
Interest receivable	2,999	2,288	5,287
Prepaid expenses	2,991	0	2,991
Total current assets	<u>1,512,618</u>	<u>1,303,512</u>	<u>2,816,130</u>
Capital assets - at cost	5,648,866	17,768,745	23,417,611
Less allowance for depreciation	(2,268,129)	(7,881,135)	(10,149,264)
Net capital assets	<u>3,380,737</u>	<u>9,887,610</u>	<u>13,268,347</u>
Total Assets	<u>4,893,355</u>	<u>11,191,122</u>	<u>16,084,477</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	7,827	2,874	10,701
Accrued payroll	1,728	0	1,728
Accrued interest payable	1,743	26,536	28,279
Compensated absences	9,347	0	9,347
Bonds payable	115,311	600,555	715,866
Total current liabilities	<u>135,956</u>	<u>629,965</u>	<u>765,921</u>
Long-term Liabilities			
Compensated absences	52,966	0	52,966
Bonds payable	180,280	1,921,776	2,102,056
Total long-term liabilities	<u>233,246</u>	<u>1,921,776</u>	<u>2,155,022</u>
Total Liabilities	<u>369,202</u>	<u>2,551,741</u>	<u>2,920,943</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	3,083,403	7,338,743	10,422,146
Unrestricted	1,440,750	1,300,638	2,741,388
Total Net Assets	<u>\$ 4,524,153</u>	<u>\$ 8,639,381</u>	<u>\$13,163,534</u>

See accompanying notes to financial statements

Charter Township of Bangor
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2004

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Gross service charges	\$ 1,608,298	\$ 1,535,730	\$ 3,144,028
Water costs	844,778	0	844,778
Gross profit	763,520	1,535,730	2,299,250
Operating revenues:			
Service connections	29,730	0	29,730
Charges, fees, etc.	3,093	1,150	4,243
Total operating revenues	32,823	1,150	33,973
Operating expenses:			
Personal services	242,203	0	242,203
Utilities	5,121	0	5,121
Regional charges	0	813,847	813,847
Operation and maintenance	58,611	215,760	274,371
Administration	50,601	0	50,601
Fiscal and other charges	27,714	5,536	33,250
Depreciation	130,179	353,892	484,071
Total operating expenses	514,429	1,389,035	1,903,464
Operating income	281,914	147,845	429,759
Nonoperating revenues (expenses):			
Interest income	15,059	16,636	31,695
Interest expense	(18,469)	(151,928)	(170,397)
Payment by local unit	0	301,902	301,902
Payment to local unit	(2,281)	0	(2,281)
Change in net assets	276,223	314,455	590,678
Net assets - beginning of year	4,247,930	8,324,926	12,572,856
Net assets - end of year	\$ 4,524,153	\$ 8,639,381	\$ 13,163,534

See accompanying notes to financial statements

Charter Township of Bangor
 Statement of Cash Flows
 Proprietary Fund
For the Year Ended December 31, 2004

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,610,461	\$ 1,548,729	\$3,159,190
Cash payments to suppliers for goods and services	(992,852)	(1,032,269)	(2,025,121)
Cash payments to employees for services	(241,684)	0	(241,684)
Other operating income	32,823	1,150	33,973
Net cash provided by operating activities	<u>408,748</u>	<u>517,610</u>	<u>926,358</u>
Cash flows from capital and related financing activities:			
Advances (payments) from (to) other funds	(2,281)	0	(2,281)
Principal paid on long-term debt	(109,886)	(600,555)	(710,441)
Interest paid on long-term debt	(19,117)	(158,246)	(177,363)
Payments from (to) local units	0	301,902	301,902
Acquisition and construction of capital assets	(14,326)	(154,147)	(168,473)
Net cash (used) by capital and related financing activities	<u>(145,610)</u>	<u>(611,046)</u>	<u>(756,656)</u>
Cash flows from investing activities:			
Interest and investment earnings	<u>12,797</u>	<u>15,202</u>	<u>27,999</u>
Net (decrease) in cash and cash equivalents	275,935	(78,234)	197,701
Cash and cash equivalents, beginning of year	<u>1,207,527</u>	<u>1,272,075</u>	<u>2,479,602</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,483,462</u></u>	<u><u>\$ 1,193,841</u></u>	<u><u>\$2,677,303</u></u>

See accompanying notes to financial statements

Charter Township of Bangor
Statement of Fiduciary Net Assets
December 31, 2004

	<u>Treasurer's Trust and Agency</u>	<u>Current Tax Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	<u>\$ 25,761</u>	<u>\$2,281,956</u>	<u>\$ 2,307,717</u>
<u>LIABILITIES</u>			
Due to Governmental Funds	\$ 187	\$ 650,725	\$ 650,912
Due to Component Units	0	39,886	39,886
Undistributed current taxes	<u>25,574</u>	<u>1,591,345</u>	<u>1,616,919</u>
Total Liabilities	<u>\$ 25,761</u>	<u>\$2,281,956</u>	<u>\$ 2,307,717</u>

See accompanying notes to financial statements.

Charter Township of Bangor
Component Units
Statement of Net Assets
December 31, 2004

	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
<u>Assets</u>			
Cash and investments	\$ 402,263	\$ 8,407	\$ 410,670
Taxes receivable	327,753	0	327,753
Due from Fiduciary Funds	39,886	0	39,886
Capital assets - net	<u>23,333</u>	<u>0</u>	<u>23,333</u>
Total assets	<u>793,235</u>	<u>8,407</u>	<u>801,642</u>
<u>Liabilities</u>			
Accounts payable	1,462	0	1,462
Accrued interest payable	5,288	0	5,288
Due to Governmental Funds	34	0	34
Deferred revenue	367,639	0	367,639
Long-term liabilities:			
Due within one year	32,500	0	32,500
Due in more than one year	<u>538,125</u>	<u>0</u>	<u>538,125</u>
Total liabilities	<u>945,048</u>	<u>0</u>	<u>945,048</u>
<u>Net Assets</u>			
Investment in capital assets - net of related debt	23,333	0	23,333
Unrestricted	<u>(175,146)</u>	<u>8,407</u>	<u>(166,739)</u>
Total net assets	<u>\$ (151,813)</u>	<u>\$ 8,407</u>	<u>\$ (143,406)</u>

See accompanying notes to financial statements

Charter Township of Bangor
Component Units
Statement of Activities
For the Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Economic Development Corporation
Downtown Development Authority						
General government	\$ 17,307	\$ 0	\$ 0	\$ 0	\$ (17,307)	\$ 0
Public safety	0	0	0	0	0	0
Public works	87,500	0	0	0	(87,500)	0
Health and welfare	0	0	0	0	0	0
Culture and recreation	0	0	0	0	0	0
Interest on long-term debt	31,426	0	0	0	(31,426)	0
	<u>136,233</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(136,233)</u>	<u>0</u>
Economic Development Corporation	0	0	0	0	0	0
Total component units	<u>\$ 136,233</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(136,233)</u>	<u>(136,233)</u>
General Revenues:						
Taxes						
Interest and investment earnings						
Other						
					410,077	0
					3,835	62
					0	0
Total general revenues					<u>413,912</u>	<u>62</u>
Change in net assets						
Net assets - beginning of year					<u>277,679</u>	<u>62</u>
					<u>(429,492)</u>	<u>8,345</u>
Net assets - end of year					<u>\$ (151,813)</u>	<u>\$ 8,407</u>
					<u>\$ (143,406)</u>	<u>\$ (143,406)</u>

See accompanying notes to financial statements

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Bangor conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Bangor:

Reporting Entity

The Charter Township of Bangor was organized in 1979 under the Charter Township Act of 1947 and covers an area of approximately 15.3 square miles. The Township operates under an elected board (seven members) and provides services to its more than 15,500 residents in many areas including fire protection, highways and streets. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Discretely Presented Component Units - The component unit column in the basic financial statements, which represents the financial data of the Charter Township of Bangor Downtown Development Authority and the Economic Development Corporation of the Charter Township of Bangor, is reported in a separate column to emphasize that it is legally separate from the Township. The governing body of the Downtown Development Authority consists of the Chief Executive Officer of the Charter Township of Bangor and eight (8) members as provided by Act 197. The Authority was established to correct and prevent urban deterioration and encourage economic development. The governing body of the Economic Development Corporation consists of nine members appointed by the Township Board of Trustees and two additional members appointed by the Economic Development Corporation members as provided by Act 338. The Economic Development Corporation was established as a means and method for the encouragement and assistance of industrial and commercial enterprises in locating and expanding in the Township and to more conveniently provide needed services and facilities of such enterprises to the Township and its residents.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the calendar year 2004. These funds are the Township's only proprietary funds.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Government reports the following major funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Sanitary Sewer Fund – The Sanitary Sewer Fund is used to record transactions relative to the operation of the sewer system in the Township.

Trash Collection Fund – The Trash Collection Fund is used to record transactions for the collection of trash in the Township.

Bay County Department of Water and Sewer Enterprise Funds–These funds account for the activities of providing water and sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. These funds are the Township's only proprietary funds.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	39 Years
Building and land improvements	7 to 20 Years
Water and sewer lines	40 to 50 Years
Equipment	7 to 20 years
Transportation equipment	5 to 15 Years

Long-term Obligations—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change—Effective January 1, 2004, the Government implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Government's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Government's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Government's activities have been provided. Statement 34 requires the classification of net assets into three components—invested in capital assets, net of related debt; restricted; and unrestricted.

Governmental net assets at January 1, 2004 have been restated as follows:

Total fund equity per 2003 financial statements	\$ 3,133,016
Capital assets owned by the Township	3,250,660
Accumulated depreciation on capital assets	(1,594,052)
Bonds payable	(375,485)
Accrued interest payable	<u>(5,634)</u>
Governmental net assets at January 1, 2004, as restated	<u><u>\$ 4,408,505</u></u>

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Charter Township of Bangor follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Government's supervisor submits to the Board a proposed budget prior to October 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Sanitary Sewer Fund and Trash Collection Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Charter Township of Bangor incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
General Government	\$ 829,775	\$ 833,305	\$ 3,530

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Government's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 2,979,131</u>	<u>\$ 2,677,303</u>	<u>\$ 2,307,717</u>	<u>\$7,964,151</u>	<u>\$ 410,670</u>
Total	<u><u>\$ 2,979,131</u></u>	<u><u>\$ 2,677,303</u></u>	<u><u>\$ 2,307,717</u></u>	<u><u>\$7,964,151</u></u>	<u><u>\$ 410,670</u></u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 7,823,892
Investments	550,229
Petty cash and cash on hand	<u>700</u>
Total	<u><u>\$ 8,374,821</u></u>

The bank balance of the primary government's deposits is \$7,977,048, of which \$300,000 is covered by federal depository insurance. The bank balance of the component units' deposits had a bank balance of \$410,670, of which \$122,612 was covered by federal depository insurance.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were as follows:

Investments Not Subject to Categorization
Money Market Funds

\$ 550,229

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 286,164	\$ 0	\$ 0	\$ 286,164
Capital assets being depreciated:				
Buildings and improvements	1,441,531	0	0	1,441,531
Equipment	441,060	8,209	0	449,269
Transportation equipment	1,081,905	0	0	1,081,905
Subtotal	<u>2,964,496</u>	<u>8,209</u>	<u>0</u>	<u>2,972,705</u>
Less accumulated depreciation for:				
Buildings and improvements	635,634	39,358	0	674,992
Equipment	251,368	42,231	0	293,599
Transportation equipment	707,050	38,727	0	745,777
Subtotal	<u>1,594,052</u>	<u>120,316</u>	<u>0</u>	<u>1,714,368</u>
Net capital assets being depreciated	<u>1,370,444</u>	<u>(112,107)</u>	<u>0</u>	<u>1,258,337</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 1,656,608</u>	<u>\$ (112,107)</u>	<u>\$ 0</u>	<u>\$ 1,544,501</u>
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Water system	\$ 5,634,540	\$ 48,393	\$ 34,067	\$ 5,648,866
Sewer system	17,614,598	154,147	0	17,768,745
Subtotal	<u>23,249,138</u>	<u>202,540</u>	<u>34,067</u>	<u>23,417,611</u>
Less accumulated depreciation for:				
Water system	2,137,950	130,179	0	2,268,129
Sewer system	7,527,243	353,892	0	7,881,135
Subtotal	<u>9,665,193</u>	<u>484,071</u>	<u>0</u>	<u>10,149,264</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 13,583,945</u>	<u>\$ (281,531)</u>	<u>\$ 34,067</u>	<u>\$ 13,268,347</u>

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Component unit activities:</u>				
Capital assets being depreciated:				
Equipment	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Less accumulated depreciation for:				
Equipment	<u>21,667</u>	<u>5,000</u>	<u>0</u>	<u>26,667</u>
Component unit activities, total capital assets, net of depreciation	<u>\$ 28,333</u>	<u>\$ (5,000)</u>	<u>\$ 0</u>	<u>\$ 23,333</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 56,796
Public safety	58,923
Sanitation	<u>4,597</u>
Total governmental activities depreciation expense	<u>\$ 120,316</u>
Business-type activities:	
Water	\$ 130,179
Sewer	<u>353,892</u>
Total business-type activities depreciation expense	<u>\$ 484,071</u>
Component unit activities:	
Downtown Development Authority	<u>\$ 5,000</u>

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at December 31, 2004 and transfers made during the year ended December 31, 2004 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 231,699	\$ 0	\$ 0	\$ 0
Trash Collection	292,351	85	0	0
Sanitary Sewer	61,524	36	0	0
Inspection	0	547	0	0
Drain Relief Operating	66,065	0	0	0
Bangor Township Relief Drain and Branches Drainage District	0	25	0	0
Downtown Development Authority	39,886	34	0	0
Current Tax	0	690,611	0	0
Treasurer's Trust and Agency	0	187	0	0
	<u>\$ 691,525</u>	<u>\$ 691,525</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 6 - LONG-TERM DEBT

The Township's debt is related to water and sewer system improvements and is reported in the proprietary funds as the Bay County Department of Water and Sewer Bangor Enterprise Funds. Drainage relief bonds were paid off during 2004. The following detail shows what is owed by the Township.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>			
Bangor Township Relief Drain and Branches Drainage District Bonds, due in annual installments through May 1, 2004, bearing interest rates of 4.4% to 4.5%.	\$ 375,485	\$ (375,485)	\$ 0
1997 Bangor Township Water Extension Note, due in annual installments through 2007 with an interest rate of 5.25%.	405,477	(109,886)	295,591
Bay County West Side Regional Sewage Disposal General Obligation Bonds, dated July 1, 1978, due in annual installments through May 1, 2008, bearing interest rates of 5.5% to 6.5%.	<u>3,122,886</u>	<u>(600,555)</u>	<u>2,522,331</u>
	<u>3,903,848</u>	<u>(1,085,926)</u>	<u>2,817,922</u>
<u>Component Unit</u>			
Downtown Development Authority Tax Increment Revenue Bonds Series 1998, due in annual installments through 2004 with an interest rate of 5.23%.	75,000	(75,000)	0
Michigan Municipal Bond Authority Local Government Loan Program Revenue Bonds Series 1997B, dated August 13, 1997, due in annual installments through 2017, bearing interest rates of 4.55% to 8.0%.	<u>601,875</u>	<u>(31,250)</u>	<u>570,625</u>
	<u>676,875</u>	<u>(106,250)</u>	<u>\$ 570,625</u>
Total	<u>\$ 4,580,723</u>	<u>\$ (1,192,176)</u>	<u>\$ 3,388,547</u>

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance January 1, 2004	Additions	Retirements and Payments	Balance December 31, 2004	Amount Due Within One Year
Bonds	<u>\$4,580,723</u>	<u>\$ 0</u>	<u>\$ 1,192,176</u>	<u>\$3,388,547</u>	<u>\$ 748,366</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Business-Type Activities		Component Unit Activities	
	Principal	Interest	Principal	Interest
2005	\$ 715,866	\$ 135,905	\$ 32,500	\$ 28,472
2006	762,165	95,512	33,750	26,923
2007	699,299	54,111	35,625	25,293
2008	640,592	17,616	36,875	23,571
2009	0	0	38,750	21,727
2010-2014	0	0	226,250	75,918
2015-2019	<u>0</u>	<u>0</u>	<u>166,875</u>	<u>13,854</u>
Total	<u>\$ 2,817,922</u>	<u>\$ 303,144</u>	<u>\$ 570,625</u>	<u>\$ 215,758</u>

NOTE 7 - PENSION PLAN

The Township has established The Charter Township of Bangor Group Pension Plan, a defined contribution, contributory retirement plan that covers substantially all employees of the Township. The plan requires a mandatory employee contribution of 5% of base pay and allows an additional participant contribution of up to 10% of base pay. The employer's contribution to the plan is 10% of base pay. The employer's pension expense for the year ended December 31, 2004 was \$104,867.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - COMPENSATED ABSENCES PAYABLE

Under the negotiated fire-fighters union contract, fire-fighters have the use of an unlimited number of sick days until such a time (six months) that they qualify for long-term disability insurance. The Township has a short-term disability insurance policy, which covers a portion of the employee's compensation for illnesses that exceed seven days until they qualify for the long-term disability. Therefore, there are no compensated absences related to sick pay payable at December 31, 2004.

Under the negotiated clerical workers contract, those covered receive five days of compensated sick days per year. For illnesses that exceed seven days, short-term disability becomes effective through the first six months. Beyond six months, long-term disability becomes effective. Therefore at December 31, 2004, there are no compensated absences payable.

The Department of Water and Sewer has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 120 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year. In addition, the DWS provides a longevity payment to all supervisory and administrative employees at time of retirement. The benefit is based on years of employment time one-third of monthly salary, with a maximum payment of six months of salary. The cost of this benefit is recognized when earned. The total liability for compensated absences was \$62,313.

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 9 - FUND BALANCES – DESIGNATED

The following is activity related to designated fund balances:

	Balance January 1, 2004	Additional Designations	Usage of Designations	Balance December 31, 2004
Fire Department	\$ 121,097	\$ 0	\$ 0	\$ 121,097
Acquisition of data equipment	19,700	0	0	19,700
Road improvement	25,905	10,958	3,325	33,538
Township vehicle replacement	14,000	0	0	14,000
Building and grounds improvement	6,495	0	0	6,495
Drain project	80,147	0	15,788	64,359
Sidewalks	60,000	0	0	60,000
Land acquisition	30,000	0	30,000	0
Encumbrances	45,635	67,631	45,635	67,631
	<u>\$ 402,979</u>	<u>\$ 78,589</u>	<u>\$ 94,748</u>	<u>\$ 386,820</u>

Charter Township of Bangor
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating income	\$ 281,914	\$ 147,845	\$ 429,759
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	130,179	353,892	484,071
Changes in assets and liabilities			
Accounts receivable	2,163	12,999	15,162
Prepaid expenses	(146)	0	(146)
Accounts payable	(5,881)	2,874	(3,007)
Accrued payroll	975	0	975
Compensated absences	(456)	0	(456)
Net cash provided by operating activities	<u>\$ 408,748</u>	<u>\$ 517,610</u>	<u>\$ 926,358</u>

NOTE 11 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues received or accrued prior to meeting all eligibility requirements and other governmental revenues amounted to \$1,647,371.

Charter Township of Bangor
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 537,250	\$ 534,312	\$ 534,364	\$ 52
Collection fees	163,800	167,832	172,557	4,725
State shared revenue	1,275,000	1,192,263	1,192,263	0
Special assessments levied	44,300	60,245	103,550	43,305
Interest	39,000	40,310	48,079	7,769
Licenses and permits	155,850	152,729	152,729	0
Other	479,451	151,474	146,316	(5,158)
Total revenues	2,694,651	2,299,165	2,349,858	50,693
<u>Expenditures</u>				
Legislative	35,377	35,377	34,964	413
General government	758,227	829,775	833,305	(3,530)
Public safety	1,396,841	1,431,695	1,300,158	131,537
Public works	362,788	182,959	96,988	85,971
Recreation activities	640,045	62,213	62,213	0
Sanitation	5,100	5,528	5,314	214
Other	0	0	0	0
Capital outlay	0	11,216	7,776	3,440
Total expenditures	3,198,378	2,558,763	2,340,718	218,045
Net change in fund balance	(503,727)	(259,598)	9,140	268,738
Fund balance - beginning of year	1,520,784	1,520,784	1,520,784	0
Fund balance - end of year	<u>\$ 1,017,057</u>	<u>\$ 1,261,186</u>	<u>\$ 1,529,924</u>	<u>\$ 268,738</u>

Charter Township of Bangor
 Required Supplemental Information
 Budgetary Comparison Schedule - Sanitary Sewer Fund
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 222,775	\$ 222,799	\$ 222,799	\$ 0
Charges for services	48,500	57,469	135,550	78,081
Interest	5,000	5,000	12,477	7,477
Total revenues	276,275	285,268	370,826	85,558
<u>Expenditures</u>				
Legislative	0	0	0	0
General government	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Recreation activities	0	0	0	0
Sanitation	0	0	0	0
Other	225,700	264,149	43,504	220,645
Capital outlay	0	0	0	0
Payment to Enterprise Fund for debt service	291,000	301,902	301,902	0
Total expenditures	516,700	566,051	345,406	220,645
Net change in fund balance	(240,425)	(280,783)	25,420	306,203
Fund balance - beginning of year	974,313	974,313	974,313	0
Fund balance - end of year	<u>\$ 733,888</u>	<u>\$ 693,530</u>	<u>\$ 999,733</u>	<u>\$ 306,203</u>

Charter Township of Bangor
 Required Supplemental Information
 Budgetary Comparison Schedule - Trash Collection Fund
For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 660,125	\$ 661,300	\$ 661,300	\$ 0
Charges for services	1,200	1,200	1,156	(44)
Interest	1,500	1,500	2,924	1,424
Other	0	750	750	0
Total revenues	662,825	664,750	666,130	1,380
<u>Expenditures</u>				
Legislative	0	0	0	0
General government	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Recreation activities	0	0	0	0
Sanitation	662,825	663,115	658,477	4,638
Other	0	0	0	0
Capital outlay	0	1,635	0	1,635
Total expenditures	662,825	664,750	658,477	6,273
Net change in fund balance	0	0	7,653	7,653
Fund balance - beginning of year	69,235	69,235	69,235	0
Fund balance - end of year	<u>\$ 69,235</u>	<u>\$ 69,235</u>	<u>\$ 76,888</u>	<u>\$ 7,653</u>

Charter Township of Bangor
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	<u>Special Revenue Funds</u>			
	Bangor Township Relief Drain and Branches Drainage District	Drain Relief Operating	Inspection	Totals
<u>ASSETS</u>				
Cash and investments	\$ 72,583	\$ 31,530	\$ 260,764	\$ 364,877
Taxes receivable	0	137,870	0	137,870
Prepaid expenses	0	0	18	18
Due from Fiduciary Funds	0	66,065	0	66,065
Total assets	<u>\$ 72,583</u>	<u>\$ 235,465</u>	<u>\$ 260,782</u>	<u>\$ 568,830</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts payable	\$ 0	\$ 0	\$ 1,356	\$ 1,356
Due to Governmental Funds	25	0	547	572
Deferred revenue	0	203,935	0	203,935
Total liabilities	25	203,935	1,903	205,863
<u>Fund Balances</u>				
Reserved	72,558	31,530	258,879	362,967
Total Liabilites and Fund Balances	<u>\$ 72,583</u>	<u>\$ 235,465</u>	<u>\$ 260,782</u>	<u>\$ 568,830</u>

Charter Township of Bangor
 Other Supplemental Information
 Combining Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	<u>Special Revenue Funds</u>			
	Bangor Township Relief Drain and Branches Drainage District	Drain Relief Operating	Inspection	Totals
<u>Revenues</u>				
Taxes	\$ 19,298	\$ 170,279	\$ 0	\$ 189,577
Interest	3,387	202	1,930	5,519
Other	0	0	560	560
Licenses and permits	0	0	312,354	312,354
Total revenues	<u>22,685</u>	<u>170,481</u>	<u>314,844</u>	<u>508,010</u>
<u>Expenditures</u>				
Protective inspections	0	0	158,851	158,851
Other	384,500	169,943	0	554,443
Capital outlay	0	0	433	433
Total expenditures	<u>384,500</u>	<u>169,943</u>	<u>159,284</u>	<u>713,727</u>
Excess of revenues over (under) expenditures	<u>(361,815)</u>	<u>538</u>	<u>155,560</u>	<u>(205,717)</u>
Net change in fund balance	(361,815)	538	155,560	(205,717)
Fund balance - beginning of year	<u>434,373</u>	<u>30,992</u>	<u>103,319</u>	<u>568,684</u>
Fund balance - end of year	<u>\$ 72,558</u>	<u>\$ 31,530</u>	<u>\$ 258,879</u>	<u>\$ 362,967</u>